

Template:	Foreign governmental entities	Revision no.:	1
Grant Agreement	Grant Management Regime I	Date:	01.03.2016

GRANT AGREEMENT

BETWEEN

THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

AND

THE MINISTRY OF FINANCE AND ECONOMIC COOPERATION
FEDERAL REPUBLIC OF ETHIOPIA

ON

CONTRIBUTION TO THE CLIMATE RESILIENT GREEN
ECONOMY FACILITY

ETH-16/0007, REDD+ phase II Investment of the result based
payment




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THIS AGREEMENT (the Agreement) is entered into between THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS (MFA) and THE ETHIOPIAN MINISTRY OF FINANCE AND ECONOMIC COOPERATION (MoFEC/the Partner) (jointly referred to as the Parties).

WHEREAS the Government of the Kingdom of Norway (Norway), the Government of the United Kingdom of Great Britain (UK) and the Government of the Republic of Ethiopia (Ethiopia) have signed a joint declaration statement in Durban dated 8th December 2011 regarding joint collaboration on international climate change policy and strategic support for Ethiopia's Climate Resilient Green Economy (CRGE);

WHEREAS the Norwegian Ministry of Foreign Affairs (MFA) and the Ethiopian Ministry of Agriculture have entered into a REDD+ Partnership Agreement (REDD+ PA) of 16th August 2013;

WHEREAS the Norwegian Ministry of Climate and Environment (MFA) has provided financial support to an Institutional Strengthening Forest Sector Development Programme through agreement dated 8th December 2014 (ETH-13/0021);

WHEREAS the Ethiopia's Ministry of Finance and Economic Cooperation (MoFEC) has on June 13th 2017 requested Norway for further support to Ethiopia's REDD+ Programme according to the principles in the REDD+ PA.;

WHEREAS MFA has decided to comply with the request;

NOW THEREFORE the Parties have agreed as follows:

1 SCOPE AND OBJECTIVES

- 1.1 This Agreement, including all annexes, set forth the terms and procedures for MFA's financial support to Ethiopia's CRGE Facility earmarked for a Proposal for REDD+ Investment in Ethiopia (the Programme) at the Ministry of Environment, Forest and Climate Change (MEFCC). The Programme has four pillars: 1) Community-based forestry, 2) combatting deforestation/forest degradation, 3) capacity building, and 4) innovative forestry models.
- 1.2 The Programme is further described in the Programme document titled "Proposal for REDD+ Investment in Ethiopia 2017-2020", dated May 2017 (the Programme Document) and the estimated costs of the Programme are indicated in the budget attached as Annex A.
- 1.3 The Parties expect the Programme to be implemented between July 2017 and December 2020 (the Support Period).

The expected results of the Programme are as follows:

The planned effect on society (Impact) is: Ethiopian forestry sector enabled to achieve goals of an 8% GDP contribution and 26MM tCO₂e carbon sequestered/emissions reduced by 2020.

The planned effects for the target group of the Programme (Outcomes) are:

- Large-scale community forestry programme in place
- Large-scale D/D programme and targeted PFM's covering carbon rich forest in place¹

¹ D/D refers to reduced deforestation and forest degradation and PFM refers to Participatory Forest Management

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- Capacity built in forestry sector to generate new models and proactively seek funding
- Public-private and civil society partnerships strengthened
- Forestry-related livelihoods created

1.4 The full results framework is as set out in Annex B.

1.5 Any significant deviations from or changes to the Programme Document or approved implementation plans or budgets are subject to written agreement between the Parties.

2 REPRESENTATION AND COMMUNICATION

2.1 In matters, pertaining to the implementation of the Programme, MEFCC shall be competent to represent MoFEC and the Royal Norwegian Embassy in Addis Ababa (the Embassy) shall be competent to represent MFA. The division of tasks between MEFCC and MoFEC is further detailed in 3.2 and 3.3 below and in the Programme Document. All communication regarding the Agreement shall be directed to the Embassy:

Post address: PO Box 8383, Addis Ababa, Ethiopia

Email address: emb.addisabeba@mfa.no

2.2 The Parties may give notice of other contact information to replace the above.

2.3 MFA's agreement number and agreement title "ETH-16/0007, REDD+ phase II Investment of the result based payment" shall be stated in all correspondence regarding this Agreement, including disbursement requests and repayment of unused funds.

3 PROGRAMME IMPLEMENTATION

3.1 The Parties shall communicate and cooperate fully in order to arrange for the successful achievement of Programme objectives. To this end, the Parties shall immediately inform each other of any circumstances likely to hamper or delay the successful implementation of the Programme.

3.2 MoFEC shall be ultimately responsible for the implementation of the Programme and shall hereunder:

- a) assess and assure the quality of the proposed Programme Plans submitted by MEFCC;
- b) provide MEFCC with necessary financial means for implementing the Programme;
- c) have the overall responsibility for the planning, implementation, reporting and monitoring of the Programme;
- d) ensure that the Grant is used according to approved work plans and budgets;
- e) exercise the necessary diligence, efficiency and transparency in line with best practise principles;
- f) ensure sound financial management of the Programme, including that all Programme funds are satisfactorily accounted for;
- g) ensure that the Grant is properly reflected in the plans, budgets and accounting of Ethiopia;
- h) keep MFA informed of any plans for major organisational changes;
- i) ensure that all permits, import licenses and foreign exchange permissions that are or may be required are granted;
- j) be solely responsible for any adverse effects of the Programme;

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- k) ensure that representatives of Norway are permitted to visit any part of MoFEC and MEFCC relevant to the Programme for any purposes related to the Agreement and examine any relevant records, goods and documents.
- 3.3 MEFCC will be responsible for the day-to-day implementation and oversee the management and coordination of REDD+ activities and provide technical support to regional and other relevant partners to improve planning and implementation. MEFCC will further be responsible for establishing appropriate management and coordination arrangements at different levels, taking the lead in developing policy direction, and coordinating and creating links between the implementing partners.
- 3.4 The Partner shall identify, assess and mitigate any relevant risks associated with the implementation of the Programme, including the risk of corruption and other financial irregularities, and any potential negative effects that the Programme may have on the environment and climate, gender equality and human rights.

4 THE GRANT

- 4.1 MFA shall, subject to Norwegian parliamentary appropriations, provide a financial grant amounting to approximate USD 80 million (Eighty Million US Dollars) however not exceeding NOK 600 million (Norwegian Kroner six hundred million) (the Grant).
- 4.2 The Grant, including accrued interest, shall be used exclusively to finance the actual costs of the implementation of the Programme during the Support Period.
- 4.3 The Partner shall acknowledge MFA's support to the Programme in all publications and other materials issued in relation to the Programme. MFA's logotype will be provided by MFA upon request. All use of MFA's logotype must be approved by MFA.

5 DISBURSEMENTS

- 5.1 The Grant shall be disbursed in advance installments based on the financial need of the Programme for the upcoming period, which shall not exceed six months. The disbursements shall be made upon the MFA's receipt of written disbursement requests from the Partner describing the financial need for the period in question.
- 5.2 Financial need refers to the budgeted expenditures for the upcoming period, less any funds available to the Programme from all other sources during the same period.
- 5.3 The financial need shall be documented through an updated financial statement for the Programme and a reference to the latest approved implementation plan and budget.
- 5.4 The disbursement requests shall be signed by an authorised representative of the Partner. A confirmation that the Programme is being implemented in accordance with the Agreement shall be included in the disbursement requests.
- 5.5 All disbursements are conditional upon the Partner's continued compliance with the requirements in the Agreement, including the timely fulfilment of reporting obligations. Except for the Programme's first year, the second disbursement each year is subject to the MFA's receipt and approval of the progress report and financial report.
- 5.6 All disbursements will be made in NOK to the following separate CRGE facility bank account with MoFEC

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Name of the account: Ministry of Finance and Economic Development Climate Resilient Green Economy

Account no.: 100101300508

IBAN no.:

Name and address of the bank: Addis Ababa, Ethiopia

Swift/BIC code: NBETETAA

Currency of the account: USD

- 5.7 The Partner shall immediately acknowledge receipt of the funds in writing. The amount received shall be stated as well as the date of receipt and the exchange rate applied. The Partner shall make the funds available to the Programme without delay.
- 5.8 MFA may if considered necessary for the successful implementation of the Programme and upon written request from the Partner, effect disbursements directly to UNDP for Programme related facilitation and to cover procurement and staff costs for the benefit of the Programme. Such disbursements will only be made against requests accompanied by:
- a copy of the contract between UNDP and MoFEC;
 - a detailed budget justifying the need for funds;
 - a written approval of the budget by a person selected and authorized by MoFEC.
- 5.9 MFA shall report payments made according to clause 8 above to the Partner. MoFEC will assume the same responsibility to MFA for such payments as the direct disbursements from MFA to MoFEC.

6 CONTRIBUTION OF THE PARTNER

- 6.1 The Partner shall provide sufficient and qualified personnel and all financial as well as other resources that may be required, over and above the Grant, in order to implement the Programme as planned.

7 IMPLEMENTATION PLAN AND BUDGET

- 7.1 An updated implementation plan and budget **covering the Ethiopian Fiscal Year, July – July (the fiscal year)**, shall be submitted to the MFA for approval within 1 month before the Annual Meeting (ref para 12). The implementation plan and budget shall be set up in a way that allows for direct comparison with the description of the use of funds in the latest approved Programme Document (PD) and shall be signed by an authorised representative of the Partner.
- 7.2 The implementation plan shall be directly related to the results framework and shall specify planned activities and outputs as well as time schedules for the upcoming reporting period.
- 7.3 The updated budget shall be based on the approved budget and include estimated income to the Programme from all sources as well as planned expenditures for the upcoming period. The estimated financial need of the Programme in the next reporting period shall be clearly stated.
- 7.4 More substantial budget adjustments will be justified by the pace of implementation for each of the components, as well as experience and lessons learned during the operative work. This can also include change of geographic priorities for both A/R and forest protection activities. More substantial changes are further conditional upon feasibility studies and MFA's written approval. MoFEC shall consult MFA if in doubt whether a budget adjustment falls under the scope of the present clause.

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8 REPORTING ON RESULTS

- 8.1 A progress report covering the previous Ethiopian Fiscal Year (July – July) shall be submitted to MFA for approval by 30th September each year. The progress report will be based on the CRGE Facility standard reporting template. The progress reports shall describe the results achieved under the Programme during the reporting period and shall be set up in a way that allows for direct comparison with the latest approved Application, implementation plan and budget. It shall be signed by an authorised representative of the Partner.
- 8.2 The progress reports shall, as a minimum, include:
- an account of the results achieved so far by the Programme, using the format, indicators and targets of the approved results framework. The overview must:
 - show delivered outputs compared to planned outputs;
 - show the Program's progress towards achieving the Outcome;
 - if possible, describe the likelihood of the Impact being achieved.
 - an account and assessment of any deviations from the latest approved implementation plan and Application;
 - an assessment of how efficiently Programme resources have been turned into outputs;
 - a brief account of materialised risk factors to the Programme and how they were handled in the reporting period and/or will be handled going forward. Identified risks related to the climate and environment, gender equality, corruption and other financial mismanagement and human rights shall always be accounted for.
- 8.3 A work plan covering the Ethiopian Fiscal Year shall be submitted annually 1 month before the Annual Meeting. The work plan shall specify planned outputs and time schedules for the next year.

9 FINANCIAL REPORTS

- 9.1 A financial report covering the Ethiopian Fiscal Year shall be submitted to MFA for approval within 1 month before the Annual Meeting. The final financial report shall cover the entire Support Period and shall be submitted along with the final report referred to in article 11.
- 9.2 The financial reports shall comprise financial statements with a comparison to the latest approved budget for the reporting period, as well as an explanation of any deviations from the budget. It shall be certified by the financial controller as well as by an authorised representative of the Partner.
- 9.3 The financial statements shall be set up in a way that allows for direct comparison with the latest approved budget, using the same currency and budget line items. They shall, as a minimum, include:
- the accounting principles applied;
 - income from all sources, including bank interest. MFA's contribution shall be specified;
 - expenses charged/capitalised in the relevant reporting period;
 - expenses charged/capitalised from start-up of the Programme to the end of the reporting period;
 - unused funds as per the reporting date;

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- f) overhead/indirect costs to be covered by the Grant in accordance with article 4 of the Specific Conditions; balance sheet, when required in accordance with the accounting principles applied;
- g) explanatory notes including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Programme.

9.4 Deviations between the approved budget and the expenses charged/capitalised shall be highlighted with information on both nominal amounts and percentage of each deviation. The Partner shall include a written explanation of any deviations amounting to more than 10 % from a budget line.

10 AUDIT

10.1 The Programme's annual financial statements shall be audited, and the audit report shall be submitted to MFA within 30th November each year.

10.2 Any other document from the auditor significant to the implementation of the Programme, as well as the Partner's comments thereto, shall be submitted to MFA within the same deadline.

10.3 The audit shall be carried out by the Auditor General or an independent chartered/certified or state-authorised public accountant (auditor) engaged by the Auditor General. The international auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI) shall be applied.

10.4 The auditor shall form an opinion on whether the financial statements fairly reflect the financial position of the Programme, and whether they are prepared, in all material respects, in accordance with the applicable financial reporting framework, namely:

- a) the accounting principles followed by the Partner, and;
- b) requirements of Article 9 clause 3.

10.5 The audit report shall include:

- a) identification of the Programme's total expenses and total income;
- b) the subject of the audit;
- c) the financial reporting framework applied;
- d) the auditing standards applied;
- e) a statement that the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement;
- f) the auditor's opinion.

10.6 The costs of the audit shall be covered in the Project budget.

10.7 The audit requirements stated in this Agreement shall be applied on the total Grant including any part of the Grant transferred to other entities.

10.8 MFA may request additional information from the auditor at any time. Such information shall be provided within 30 working days of the request.

11 FINAL REPORT

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11.1 A final report for the Support Period shall be submitted to MFA for approval within six months after the end of the Support Period. If the Programme is not completed by the end of 2020, a status report shall be submitted to MFA by December 2020. The final report shall be set up in a way that allows for a direct comparison with the Application and shall be signed by an authorised representative of the Partner.

11.2 The final report shall, as a minimum, include:

- a) the items listed for the progress reports described in Article 8 covering the entire Support Period;
- b) an assessment of the Programme's effect on society (Impact);
- c) a description of the main lessons learned from the Programme;
- d) an assessment of the sustainability of the achieved results under the Programme.

12 FORMAL MEETINGS

12.1 The Parties including MEFCF shall hold formal meetings once per year within 1st quarter (July-September) each fiscal year in order to discuss i.e. the results achieved by the Programme during the Support Period. The meetings shall be called and chaired by MoFEC.

12.2 The Parties shall discuss the latest progress report and financial report, as well as the implementation plan and budget for the upcoming period, unless otherwise agreed. In the event that such reports have not been received at least two weeks before the meeting, the Parties shall agree upon a new date to hold the meeting.

12.3 The Partner shall record main issues discussed, points of view expressed and decisions made, in minutes from the meetings. The Partner shall draft the minutes and submit them to MFA no later than two weeks after the meetings for any comments. The agreed minutes shall be signed by both Parties.

12.4 The Parties may invite others to participate as observers or advisers to their delegations. The Parties shall notify each other in advance of any external participants and their role in the meetings.

13 REVIEWS AND OTHER FOLLOW-UP MEASURES

13.1 A mid-term review focusing on progress to date shall be carried out by 30th August 2019. The Partner shall draft the terms of reference for the review and submit them to the other Party for approval. The costs of the review shall be included in the Programme budget.

13.2 An end review focusing on results achieved by the Programme shall be carried out by 1st December 2020. The Partner shall draft the terms of reference for the review and submit them to the other Party for approval. The costs of the review shall be included in the Programme budget.

13.3 If the Partner or another interested party initiates a review or evaluation of activities wholly or partly funded by the Grant, MFA shall be informed. The Partner shall forward a copy of the report of any such review or evaluation to MFA without undue delay.

14 PROCUREMENT

14.1 Except for Programme-related procurement undertaken by UNDP which shall follow UNDP's policies, rules and procedures for procurement, all other procurement under the Programme shall

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be undertaken by the Partner and be completed in accordance with Annex C as well as any statutory requirements applicable in the jurisdiction of the Partner.

- 14.2 If the total value of a contract exceeds NOK 1 000 000, the shortlist of suppliers, the procurement record and the signed contract shall be submitted to MFA for information.
- 14.3 Along with the documentation mentioned above the Partner shall confirm in writing that the requirements agreed upon in clause 1 above have been fulfilled.

15 PROGRAMME ASSETS

- 15.1 The Partner shall have full ownership to all equipment, consumables and intellectual property rights procured or developed by use of the Grant, unless otherwise described in the Application. All matters associated with equipment, consumables and intellectual property rights are the exclusive responsibility of the Partner. However, significant use of such equipment, consumables and intellectual property rights for purposes outside the Programme shall be subject to MFA's prior approval.
- 15.2 MFA shall have a non-exclusive and royalty-free license to use all intellectual property rights procured or developed by use of the Grant. MFA, in consultation with the Partner, may assign this right to any individual or organisation at its own discretion.
- 15.3 Transfer of ownership of any equipment, consumables and/or intellectual property rights during the Support Period shall be executed in accordance with the national legislation of the Partner and be made at market terms. Ownership may not be transferred to an employee of the Partner or its cooperating partner, or anyone related to or connected with an employee, if such a relation could lead to a conflict of interest as described in Article 16 clause 2.
- 15.4 Before a transfer is decided, the Partner shall assess whether it may have an impact on the Programme and, where appropriate, consult with MFA. Any income from a transfer shall accrue to the Programme, and shall be reported in the financial statement of the Programme.
- 15.5 The Partner shall prepare records of transfer of ownership for any equipment, consumables and intellectual property rights. The records shall comprise information on the object of transfer, the original purchase price paid by the Partner, price offers received, the final sales price and the name of the purchaser. The record shall be submitted to MFA along with the first progress report due after the sale.
- 15.6 If the activities of the Programme do not continue after the end of the Support Period or after termination of the Agreement, the Partner shall inform MFA about the remaining equipment and goods that have been purchased by use of the Grant. MFA may, after dialogue with the Partner, require that such assets be sold. Such sale shall be completed in accordance with the procedures described above. Income from the sale shall be repaid to MFA unless otherwise agreed by the Parties.
- 15.7 The Grant may not be used to purchase or construct real property (land or buildings) unless specifically agreed upon between the Parties in writing.

16 CONFLICT OF INTEREST

- 16.1 The Parties shall take all necessary precautions to avoid any conflicts of interest in all matters related to the Programme.

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- 16.2 Conflict of interest refers to any situation where the impartial and objective exercise of the functions of anyone acting on behalf of the Parties is, or may be, compromised for reasons involving family, personal life, political or national affinity, economic interest or any other connection or shared interest with another person.
- 16.3 If a conflict of interest occur, the affected Party shall, without delay, take all necessary measures to resolve the conflict, e.g. by replacing the person in question or by obtaining independent verification of the terms of the proposed decision or transaction.
- 16.4 If the conflict of interest cannot be resolved and if it relates to a decision or transaction of significance to the Programme, the affected Party shall immediately notify the other Party. The Parties shall discuss in order to reach an understanding on the appropriate measures to be taken.

17 FINANCIAL IRREGULARITIES

- 17.1 The Parties shall practise zero tolerance towards any financial irregularities within and related to the Programme. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel, contractor, implementing partners and beneficiaries of the Grant.
- 17.2 Financial irregularities refers to all kinds of:
- a) corruption, including bribery, nepotism and illegal gratuities;
 - b) misappropriation of cash, inventory and all other kinds of assets;
 - c) financial and non-financial fraudulent statements;
 - d) all other use of Programme funds not in accordance with the Agreement and the latest agreed Application, implementation plan and budget.
- 17.3 The Parties are firmly committed to prevent, detect and manage financial irregularities and shall therefore:
- a) organise their operations and internal control systems in a way that financial irregularities are prevented and detected;
 - b) cooperate fully to prevent, stop and handle financial irregularities within and related to the Programme;
 - c) require that all staff involved in, and any consultants, suppliers and contractors financed under the Programme refrain from financial irregularities.
- 17.4 The Parties shall immediately inform each other of any indication of financial irregularities and of the measures initiated to handle the situation.
- 17.5 The Parties shall cooperate fully in the investigations of such events, whether the investigation is led by MFA or the Partner.
- 17.6 The Parties shall consider prosecution and/or other reasonable sanctions towards any person and/or legal entity suspected of financial irregularities within or in relation to the Programme.
- 17.7 MFA may apply any measure as referred to in Article 20 clauses 1 and 2, with immediate effect and irrespective of Article 20 clause 3, if MFA determines that any financial irregularities have occurred. Any repayment claim may also include interest, investment income or any other financial gain obtained as a result of the financial irregularity.

18 TRANSPARENCY

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18.1 The Parties shall distribute copies of this Agreement, as well as any subsequent amendments thereof, to all individuals and institutions involved in the Programme or otherwise in need of information on its content.

18.2 The Partner shall publish the following in a dedicated and easily accessible place of its internet site:

- a) a copy of this Agreement;
- b) the title and value of any contracts and/or sub-agreements of more than NOK 500 000 (or the equivalent in local currency) which are to be financed by the Grant;
- c) names and nationalities of the respective agreement parties and, if relevant end any further sub-grantees or contractors in receipt of Programme funds;

If internet publication is impossible, all the information in clause 3 shall be published by other appropriate means. The Partner shall give MFA precise information on where the publication is made.

Publication shall take place as soon as possible, and at the latest within six months after the contracts and/or sub-agreements were entered into.

Any deviations from this clause 18.2 shall be agreed by the Parties in writing.

18.3 The Parties shall make other Programme documentation, including the Application and all agreed reports, available to anyone upon request. Requests for disclosure may be denied if such disclosure is prohibited by national legislation, confidentiality obligations and/or if it may be detrimental to the Partner's legitimate interests.

19 VERIFICATION

19.1 Representatives of Norway may at all times carry out independent reviews, field visits, evaluations and other control measures to verify that the Grant has been used in accordance with the Agreement.

19.2 The Partner shall facilitate such control measures by providing all information and documents necessary to carry out the relevant initiative, as well as ensuring the unrestricted access of such representatives to any premises, records, goods and documents requested.

19.3 The Partner shall ensure that the representatives have access to the auditor of the Programme, as well as to the auditor's assessments of all relevant information pertaining to the Programme. The Partner shall release the auditor from any confidentiality obligations in order to facilitate such access.

19.4 The rights and obligations of this Article shall remain in force for five years following the end of the Support Period or after termination of the Agreement.

20 RESERVATIONS

20.1 MFA reserves the right to withhold disbursements at any time in case the Partner fails to fulfil its obligations under this Agreement and/or if there is suspicion of financial irregularities.

20.2 MFA reserves the right to terminate the Agreement with immediate effect and/or claim repayment of all or parts of the Grant in the event of material breach of this Agreement by the Partner. Material breach of the Agreement shall include, without limitation, the following:

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- a) all or part of the Grant has not been used in accordance with the Agreement and/or approved implementation plans and budget,
- b) the use of the Grant has not been satisfactorily accounted for,
- c) the Partner has, after having been granted an extended deadline, failed to provide the agreed reports,
- d) financial irregularities, grave professional misconduct or illegal activity of any form have taken place within the Programme,
- e) the Partner has failed to inform MFA of indication of financial irregularities within the Programme in accordance with Article 17 above.

20.3 Before withholding disbursements, claiming repayment or terminating this Agreement, the Parties shall consult with a view to reaching a solution on the matter.

21 LIABILITY


- 21.1 Neither of the Parties shall be held liable for damage, injury or loss of income sustained by the other Party or its agencies, staff or property as a direct or indirect consequence of the Programme. No claim for compensation or increases in payment in connection with such damage, injury or loss of income will be accepted.
- 21.2 The Partner shall assume sole liability towards third parties, including liability for damage, injury or loss of income of any kind sustained by them as a direct or indirect consequence of the Programme. The Partner shall indemnify MFA against any claim or action from the Partner's employees or third parties in relation to the Programme.

22 DURATION, AMENDMENT AND TERMINATION

- 22.1 The Agreement shall enter into force on the date of the last signature, and shall remain in force until all obligations arising from it have been fulfilled, or until it is terminated in accordance with this Article. Whether the obligations shall be considered fulfilled, will be determined through consultations between the Parties and confirmed by MFA in a completion letter.
- 22.2 The Agreement may be amended. Any such amendment must be agreed upon in writing between the Parties and shall become an integral part of the Agreement.
- 22.3 Each Party may terminate the Agreement upon three months written notice. If the Programme cannot continue without the financial support of MFA, the Partner shall exert its best efforts to discontinue or scale down the Programme promptly and in an orderly and financially sound manner.

23 RETURN OF INTEREST AND UNUSED FUNDS

- 23.1 Upon completion of the Support Period or upon termination of this Agreement, any unused funds that total more than NOK 500 shall be repaid to MFA as soon as possible and at the latest within 6 months. The repayment shall include any interest, which have not been used for Programme purposes, and other financial gain accrued on the Grant. This does not apply in case of termination where such funds have been irrevocably committed by the Partner in a legally binding agreement entered into with any third parties prior to the receipt of the notice of termination.
- 23.2 Repayments shall be made to the following bank account:




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Name of the account: Royal Norwegian Embassy in Addis Ababa
UD, Post box 8114 Dep, 0032 Oslo, Norway
Account no.: 76940513525
IBAN no.: NO83 7694 0513 525, Electronic IBAN Account number: NO3876940513525
Name and address of the bank: DNB Bank ASA
Swift/BIC code: DNBANOKK BIC: DNBANOKKXXX

- 23.3 The transaction shall be clearly marked: "Unused funds". The name of the Partner shall be stated, along with the Embassy's agreement number and agreement title.

24 DISPUTE RESOLUTION

- 24.1 Any dispute concerning this Agreement shall be settled by consultations between the Parties.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective Party, have signed the Agreement in two -2- originals in the English language, whereof the Parties keep one each. In the event of any discrepancies between this English language version and any later translations, the English language version shall prevail.

Place: *Addis Ababa*
Date: *July 5, 2017*

Mariann Murvoll

for the Norwegian Ministry of Foreign Affairs,

Mariann Murvoll

Chargé d'affaires a.i.

Royal Norwegian Embassy Addis Abeba

Admasu Nebebe Gedamu

for the Ethiopian Ministry of Finance and Economic Cooperation,

Admasu Nebebe Gedamu

State Minister

Ministry of Finance and Economic Cooperation

Attachments:

Annex A: Approved budget for the Programme

Annex B: Results framework

Annex C: Procurement Provisions




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ANNEX A: APPROVED BUDGET FOR THE PROGRAMME


Activity	Sub activity	AFFORESTATION / REFORESTATION			
		2017	2018	2019	2020
1	Plan and funding approval	-	-	-	-
2	Identify Woredas	8,000	8,000	5,000	5,000
3	Feasibility and baseline study	50,000	50,000	50,000	-
4	Prepare technical field manuals	-	-	-	-
5	Programme launch	6,000	6,000	6,000	6,000
6	Hiring staff	318,580	316,465	335,423	-
7	Ongoing staff support	-	717,930	1,613,017	2,398,579
8	Form steering committee	-	-	-	-
9	Capacity development	8,850	8,100	8,100	-
10	Reinforce existing or establish new nurseries	824,400	974,034	2,837,539	-
11	Ongoing nursery support - Continue support for 1 year	-	2,149,362	779,418	826,183
12	Engage and mobilise community	512,476	526,571	942,911	706,113
13	Ground activities (Regeneration)	1,284,336	2,364,724	5,711,679	3,220,473
14	Ground activities (Tree planting)	-	2,549,750	2,693,735	199,798
15	National staff support	-	-	50,000	53,000
Total Budget A/R		3,012,642	9,670,935	15,032,823	7,415,146
PREVENTION OF DEFORESTATION / DEGRADATION					
1	SNNPR - Create implementation capacity	-	-	-	-
1.1	Modify and validate design (SNNPR)	20,145	8,000	8,000	8,000
1.2	Build implementation capacity for SWFB	277,960	64,618	68,495	72,604
2	Gambela - Create REDD+ institutions	-	-	-	-
2.1	Establish REDD+ CU in Gambela	291,420	148,290	156,708	165,630
2.2	Prepare regional REDD+ programme	112,400	8,000	8,000	8,000
2.3	Build implementation capacity	276,960	64,618	68,495	72,604
3	Oromia Region PFM	151,960	134,735	142,489	150,709
4	Other Region	-	-	292,495	80,604
5	On ground D/D activities (PFM)	-	-	-	-

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5.1	Create awareness and identify sites	272,515	690,873	1,187,134	1,733,514
5.2	Negotiate boundary and demarcate	20,655	34,425	48,195	48,195
5.3	Facilitate forest management planning	18,225	30,375	42,525	42,525
5.4	Organize FMI and internal regulations	33,155	55,275	77,345	77,345
5.5	Formalise FMI and create awareness	44,145	73,575	103,005	103,005
5.6	Implement PFM and develop enterprise	186,420	319,230	426,450	425,810
5.7	Monitor, evaluate and problem solve	8,235	13,770	19,170	19,170
6	On ground D/D activities (CSA)	-	-	-	-
6.1	Increase productivity of crop land	111,200	186,000	258,800	258,800
6.2	Improve livestock production system	111,200	186,000	258,800	258,800
7	Support a sustainable energy programme	94,922	158,203	221,484	221,484
8	National secretariat and Regional REDD+ CU funding	-	227,500	482,300	511,238
Total D/D Budget		2,031,517	2,403,487	3,869,890	4,258,038
FOREST SECTOR TRANSFORMATION UNIT AND PUBLIC-PRIVATE AND CIVIL SOCIETY PARTNERSHIPS					
1	Engage the Prime Minister's office	-	-	-	-
2	Actively assist in the establishment of the unit	-	-	-	-
3	Hire a Director	29,760	-	-	-
4	Hire a Deputy Director	49,000	-	-	-
5	Define deliverables due for each stage gate in the 1A development journey	5,000	-	-	-
6	Build alignment across donors to gather support	10,000	5,000	5,000	5,000
7	Hire positions or ongoing staff costs	360,000	1,151,180	1,258,431	1,315,937
8	Run cost-benefit analysis to select 2-3 innovative pilots for late 2017/ 2018	-	-	-	-
9	Plan / prepare for 3 innovative pilots for late 2017/ 2018 (3 of the 5 below, to be selected based on cost-benefit analysis)	64,988	64,988	64,988	-
10	Develop meeting cadence / rhythm	-	-	-	-
11	Launch 3 innovative pilots (3 of the 5 below, to be selected based on cost-benefit analysis)	679,700	720,482	763,711	-
12	Build roadmap for Ethiopia to reach overall forestry sector goals	10,000	-	-	-
13	Support implementation capacity building in priority regions	10,000	-	-	-

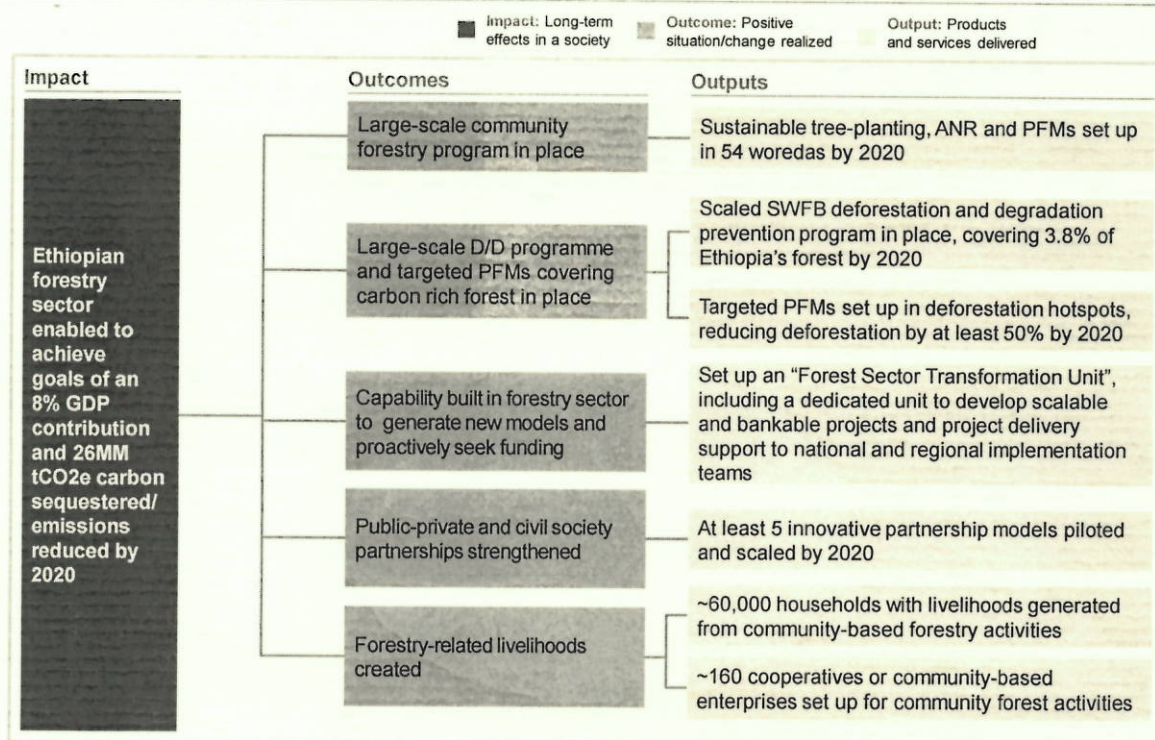




14	Hire additional selected staff as needed	-	-	-	-
15	Project scaling	-	2,000,000	4,000,000	4,000,000
16	Procure Technical Assistance	50,000	50,000	50,000	50,000
17	Strengthen the Institutional Capacity of the CRGE Facility and enhance its sub-national engagement	85,250	85,250	85,250	85,250
Total FSTU AND PPP Budget		1,353,698	4,076,900	6,227,379	5,456,187
Contingency and Technical Assistance		3,988,034	3,999,134	4,015,611	3,055,525
TOTAL BUDGET		10,285,890	20,150,455	29,145,703	20,184,896



ANNEX B: RESULTS FRAMEWORK



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Logframe: impact and outcome indicators

	Indicator	Baseline	2017 goal	2018 goal	2019 goal	2020 goal
Ethiopian forestry sector enabled to achieve goals of an 8% GDP contribution and 26MM tCO ₂ e carbon sequestered/emissions reduced by 2020	% forest sector GDP contribution from REDD+ Investment Plan	0	0	0.3	0.5	0.6
	Forest sector GDP contribution from REDD+ Investment Plan, USD Millions	0	~38	~226	~442	~664
	MM t CO ₂ e annual carbon sequestration (under NICFI programme)	0	~0.6	~2.3	~5.0	~8.0
1 Large-scale community forestry program in place	# of Woredas where a sustainable community-based forestry programme has been established	0	9-18	18	36	54
2 Large-scale forest protection programme and targeted PFM covering carbon rich forest in place	% of Ethiopia's high forest covered by PFM (under NICFI programme)	0	0.5%	1.4%	2.6%	3.8%
	% reduction in deforestation in areas covered by PFM	N/A	>50%	>50%	>50%	>50%
	% reduction in degradation in areas covered by PFM (to be added in 2018/19, pending national definition of degradation)	TBD	TBD	TBD	TBD	TBD
3 Capability built in forestry sector to generate new models and proactively seek funding	Forest Sector Transformation Unit driving Ethiopia's forestry transformation	No	Yes	Yes	Yes	Yes
	\$ of "match" funding attracted from PPPs / CSO (running total)	-	-	\$ 2MM	\$ 6MM	\$ 10MM
4 Public-private and civil society partnerships strengthened	# of PPPs / CSO partnerships set up within the forestry sector (per year, under NICFI programme)	N/A	0	1	2	2
	% of organization involved in PPPs (under NICFI programme) rating their experience as either "very good" or "excellent" ¹	N/A	60%	60%	80%	80%
5 Forestry-related livelihoods created	# of cooperatives or community-based forestry enterprises created	N/A	25	55	107	159
	# of households with improved livelihoods from community-based forestry	N/A	~6,820	~19,670	~38,570	~59,630
	% individuals with improved livelihoods that are women	N/A	>40%	>40%	>40%	>40%

¹ Based on survey, to be designed



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ANNEX C: PROCUREMENT IN THE CONTEXT OF PROJECTS FINANCED BY THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

The Partner applies its own procurement rules if they offer guarantees equivalent to internationally accepted standards. If the rules do not offer equivalent guarantees, or in specific cases, the MFA and the Partner will agree on the use of other procurement procedures offering such guarantees. In this case, the rules to be followed are set forth in the Grant Agreement.

Notwithstanding the above, all procurements carried out by the Partner in the context of the Project shall comply with the principles and provisions set forth in this Annex C.

1 INTRODUCTION

- 1.1 This Annex C sets out procurement rules and principles which shall be applied by the Partner when procuring goods, services or works to Projects financed by the Ministry of Foreign Affairs (MFA). Stricter rules may supplement the compulsory minimum rules set forth in this Annex C.
- 1.2 The MFA may carry out ex post checks on the Partner's compliance with the rules set forth in this Annex C.
- 1.3 Failure to comply with the rules set forth in this Annex C shall render the Project expenditure ineligible for MFA funding and may lead to withholding funds or claim for repayment in accordance with article 20 of the Grant Agreement.
- 1.4 Contracts shall not be split artificially to circumvent the procurement thresholds. All monetary amounts referred to in this Annex C are amounts excluding value-added tax (VAT).
- 1.5 The procurement provisions shall also apply to any procurements to be carried out by the Partner's cooperation partners or others. The Partner shall be responsible for compliance regardless of whether the procurement is carried out by the Partner itself or its cooperation partners or others.

2 BASIC PRINCIPLES

- 2.1 If a Project requires procurement by the Partner, the contract must be awarded following a tender procedure to the most economically advantageous tender (i.e. to the tenderer obtaining the best score based on price and quality), or, as appropriate, to the tenderer offering the lowest price. In doing so, the Partner shall avoid any conflict of interests and respect the following basic principles:
 - a) **Competition:** The procedures applied and the award of contracts shall be based on fair competition.

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- b) **Equal treatment and non-discrimination:** Participation in tender procedures shall be open on equal terms to all natural and legal persons. During the entire procurement and the award of contracts, the Partner shall not discriminate against candidates/tenderers or groups of candidates/tenderers.
- c) **Transparency and ex-ante publicity:** As a general rule, tender procedures shall be based on prior publication. Where the Partner does not launch an open tender procedure, it shall justify the choice of tenderers that are invited to submit an offer.
- d) **Objective criteria:** The Partner shall evaluate the offers received against objective criteria, which enable the Partner to measure the quality of the offers and shall take into account the price (the offer with the lowest price shall be awarded the highest score for the price criterion). The criteria shall be set out beforehand and shall be relevant to the contract in question.
- e) **Notoriety:** The Partner shall keep sufficient and appropriate records and documentation with regard to the procedure, its evaluation and award.

3 ELIGIBLE TENDERERS

3.1 Tenderers must provide information on their legal form and ownership structure.

3.2 Tenderers shall be excluded from participation in a procurement procedure if:

- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations. However, tenderers in this situation may be eligible to participate insofar as the Partner is able to purchase supplies on particularly advantageous terms from either a supplier which is definitively winding up its business activities, or the receivers or liquidators of a bankruptcy, through an arrangement with creditors, or through a similar procedure under national law;
- b) they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a final judgment;
- c) they have been guilty of grave professional misconduct; proven by any means which the Partner can justify;
- d) they have not fulfilled obligations relating to the payment of social security contributions or taxes in accordance with the legal provisions of the country in which they are established, or with those of the country of the Partner or those of the country where the contract is to be performed;

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- e) they or persons having powers of representation, decision-making or control over them have been convicted for fraud, corruption, involvement in a criminal organisation or money laundering by a final judgment;
 - f) they make use of child labour or forced labour and/or practise discrimination, and/or do not respect the right to freedom of association and the right to organise and engage in collective bargaining pursuant to the core conventions of the International Labour Organization (ILO).
- 3.3 Tenderers shall confirm in writing that they are not in any of the situations listed above. Even if such confirmation is given by a tenderer, the Partner shall investigate any of the situations listed above if it has reasonable grounds to doubt the contents of such confirmation.
- 3.4 Contracts shall not be awarded to tenderers which, during the procurement procedure:
- a) are subject to a conflict of interests;
 - b) are guilty of misrepresentation in supplying the information required by the Partner as a condition of participation in the tender procedure, or fail to supply this information.

4 GENERAL PROCUREMENT RULES

- 4.1 The tender documents shall be drafted in accordance with best international practice. The Partner may voluntarily use the models published in the Practical Guide on the EuropeAid (EU) website.
- 4.2 The Partner shall take into account universal design and the potential environmental impact of any planned procurements.
- 4.3 All invitations to submit tenders shall state that offers will be rejected if any illegal or corrupt practises have taken place in connection with the award. All contracts concluded under the Project shall state that the Partner may terminate the contract if it finds that illegal or corrupt practises have taken place in connection with the contract award or execution.
- 4.4 The time-limits for receipt of tenders and requests to participate must be sufficient to allow interested parties a reasonable and appropriate period to prepare and submit their tenders.
- 4.5 An evaluation committee must be set up to evaluate applications and/or tenders of a value of NOK 500 000 or more on the basis of the exclusion, selection and award criteria. This committee must have an odd number of members, at least three, with all the technical and administrative capacities necessary to give an informed opinion on the tenders.




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- 4.6 For contracts with a value exceeding NOK 100 000, the Partner shall compile a written record with documentation of all assessments and decisions during all steps of the procurement process from the planning stage until the signing of the contract. Upon request by the MFA, the Partner shall deliver its written record to the MFA and grant the MFA access to all relevant information and documentation related to the procurement procedure and practices applied.

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